HOUSING MARKET INFORMATION

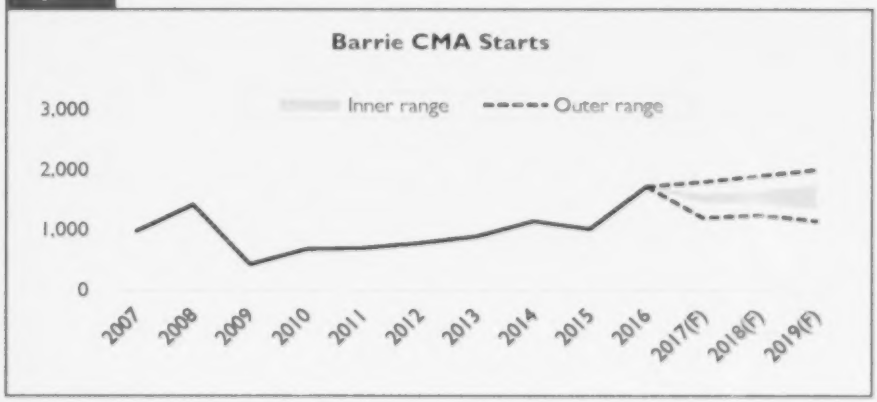
HOUSING MARKET OUTLOOK

Barrie CMA

CANADA MORTGAGE AND HOUSING CORPORATION

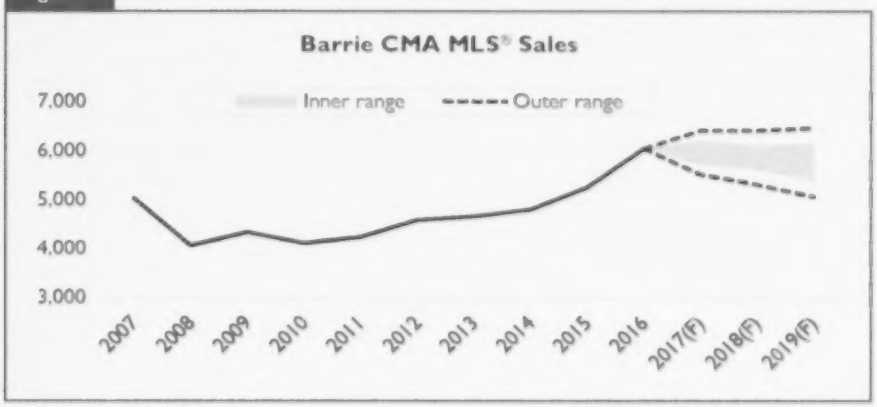
Date Released: Fall 2017

Figure 1



Source: CMHC (F) = Forecast

Figure 2



Source: CREA; CMHC (F) = Forecast; ® MLS is a registered trademark of the Canadian Real Estate Association

Highlights[1]

- Housing starts to rebound in 2018 and 2019
- Balanced market conditions to ensue in the resale home market
- Migration and employment growth will support housing demand

New Home Market: Housing Starts Growth will Slow

Activity in the new home market in the Barrie Metropolitan Area (CMA) will slow down in 2017 from a record high in 2016, mainly due to a decline in apartment starts. A shortage of land, demographic changes and affordability concerns have encouraged higher density construction, but elevated number of units under construction have delayed new high density projects from breaking ground. However, housing starts are expected to rebound slightly in 2018 and 2019 as a result of population growth and expansion of employment opportunities. The unsold inventory of new single-detached homes is still low over the last three years at a level not seen since the early 2000s.

[1] The forecasts and historical data included in this document reflect information available as of October 2, 2017.

Canada

CMHC SCHL

The shortage of land in the City of Barrie that is limiting new single-detached home construction will be gradually alleviated as the annexed land from Innisfil will become available by the end of 2018. But any delays in the opening of the annexed land from Innisfil till after 2019 suggests there is a risk that single detached construction could be at the lower end our forecast range.

Prices of new single-detached homes will continue to grow in 2018, but the opening of Innisfil's annexed land for construction will push builders to compete by offering different sizes of homes at competitive prices in order to attract buyers.

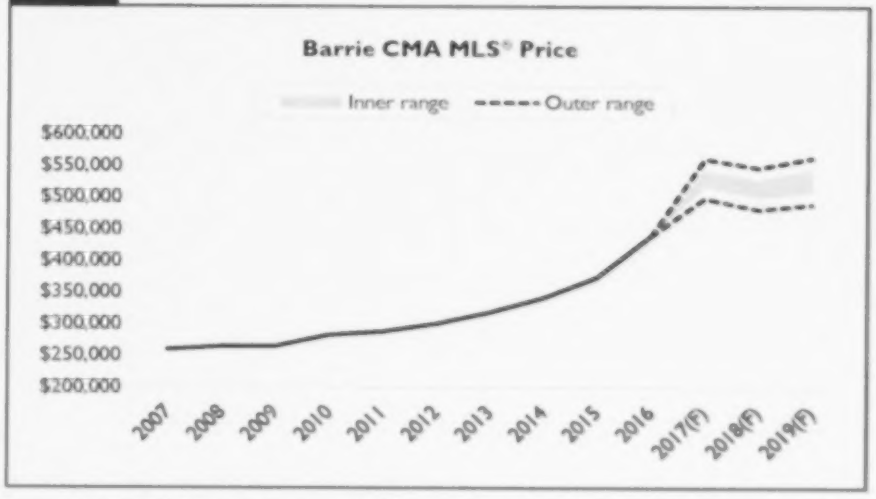
Existing Home market: Fewer Sales in 2018

The resale market in the Barrie Census Metropolitan Area (CMA) will begin to weaken over the forecast period due to slower job growth, rising interest rates and lower spill-over demand from the Greater Toronto Area (GTA).

However some younger families and retirees from the GTA will continue to be drawn to Barrie because of its proximity to the region and to the cottage area. The planned Barrie rail corridor expansion project over the next ten years, which will allow frequent all-day GO train service between Barrie and Toronto, will encourage buyers to look to the option of moving north and take advantage of the home price differential between the GTA and Barrie.

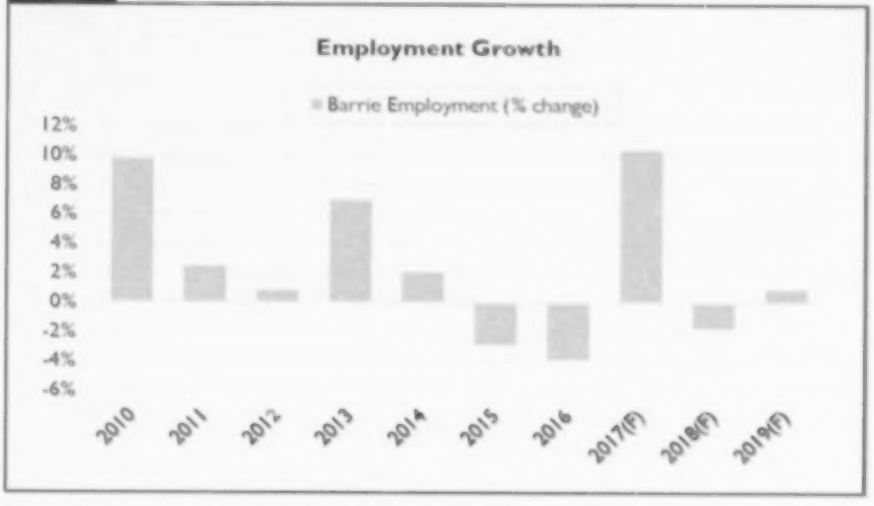
But higher prices and expected rising interest rates will ultimately affect home affordability and push sales to go down. In fact, the required income to buy an average resale home has been growing faster versus actual incomes in recent years. Some homeowners will rush to list their homes to avoid any future price declines. Following the announcement of the Fair Housing Plan by the Provincial Government of Ontario in April 2017, existing home sales in the GTA and surrounding markets including Barrie have regressed strongly especially for higher end singles. There is some evidence that buyer and vendor price expectations moderated leading up

Figure 3



Source: CREA; CMHC; (F) = Forecast; ® MLS is a registered trademark of the Canadian Real Estate Association

Figure 4



Source: Statistics Canada, Labour Force Survey; (F) = Forecast

SUBSCRIBE NOW!

Access CMHC's Market Analysis Centre publications quickly and conveniently on the Order Desk at www.cmhc.ca/housingmarketinformation. View, print, download or subscribe to get market information e-mailed to you on the day it is released. CMHC's electronic suite of national standardized products is available for free.

to the implementation of this new plan resulting in changing behaviour and a more balanced market after the policy came into effect.

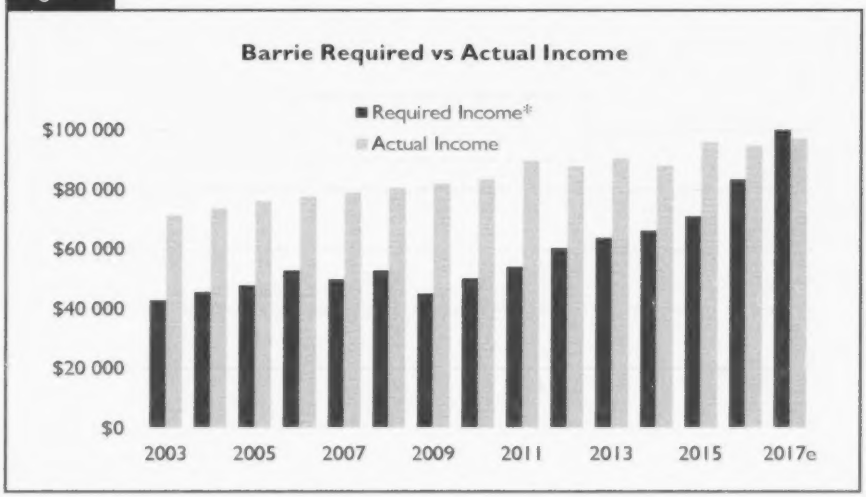
With rising supply and lower demand, the Barrie housing market will be balanced, pushing prices slightly lower in 2018 and slightly above the rate of inflation in 2019. However, stricter housing policy measures could push sales and prices much lower and closer to the lower end of the outer range. But if Toronto prices grow a bit faster and in-migration from the GTA is stronger, Barrie housing demand could be stronger than our baseline forecast.

Rental Market: Vacancy Rate to Ease

The vacancy rate in the Barrie CMA is expected to decrease over the forecast period due to youth demand and low rental supply, thus resulting in increased pressure on average rents. Higher full-time youth employment will lead to higher rental demand. In addition, eroding homeownership affordability will force more people to delay their home buying decisions and stay longer in their rental units.

The primary rental supply will remain relatively unchanged. According to industry contacts, investors remain sceptical about investing in purposed-built rental properties that require a long term commitment and property management efforts. Increased demand and limited supply will drag down the vacancy rate and will push average rents up. But the new provincial rent control guideline will limit rent growth on all units, including those built after 1991. Even though rents are expected to increase slightly above the rate of inflation throughout the forecast period, the rental market in the Barrie CMA will remain one of the most expensive markets in Canada.

Figure 5



Source: CMHC, Statistics Canada, CREA
*Required income is mortgage carrying costs divided by 0.32 to reflect the usual 32% gross debt service ratio.
Mortgage carrying costs are calculated on the average MLS® price, a 10% down payment, the fixed five-year mortgage rate and the longest available amortization.
e = estimates

The large secondary market in Barrie will help to absorb some of the spill-over demand from the primary rental market. Tenants who prefer to rent rather than own and those who prefer affordable units such as secondary suites will look to rent in the secondary market.

Economic and demographics: Employment and In-Migration Will Support Housing Demand

Following a sluggish 2016, the Barrie economy continues to rebound in 2017. The increased economic activity supports consumer confidence and encourages employers to increase their production and hire more workers. Barrie's economy is diversified and employment is notably increasing in services, manufacturing and trade. More full-time jobs are created for age groups 15 to 24 and 44 to 64.

Slowing but still strong in-migration from the GTA will support population growth. Migrants will continue to be drawn by the attractive quality of life and relatively affordable real estate prices in the region. The accelerated price growth in the GTA in recent years will encourage more baby-boomers to look to Barrie as a place for retirement that isn't far from the GTA. The population in Barrie increased by 5.4 percent between the 2011 and 2016 census period and this trend will continue over the forecast period.

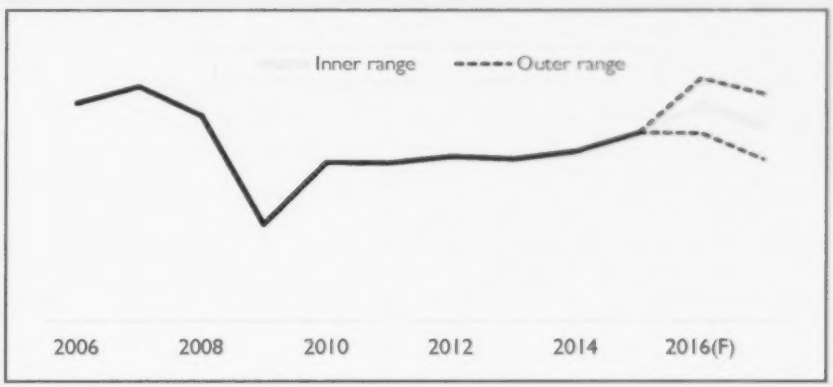
With Increased full-time jobs, especially in the goods-producing industries, the weekly earnings are expected to increase in 2018 and 2019.

Methodology for forecast ranges

The present edition of *Housing Market Outlook* incorporates forecast ranges for housing variables. Despite this change, all analyses and forecasts of market conditions continue to be conducted using the full range of quantitative and qualitative tools currently available. Two sets of ranges are presented in the publication:

- An inner range, which provides more precise guidance to readers on the outlook while recognizing the small random components of the relationship between the housing market and its drivers. This inner range is based on the coefficient of variation* of historical data and on past forecast accuracy. This range provides precision and direction for forecasts of housing variables, given a specific set of assumptions for the market conditions and underlying economic fundamentals.
- An outer range, which reflects potential risks to the forecast due to, for example, the impact of economic shocks. The outer range is based on a broader coefficient of variation of historical data and on past forecast accuracy. This range includes some low-probability events that could have a significant impact on the forecast.

Downward (or upward) adjustments to the ranges may be applied based on local market intelligence if there are more sources of risks (upside or downside) for that specific market.



* The coefficient of variation in this case is the standard deviation divided by the mean of that series. A higher coefficient of variation would produce wider ranges due to the higher volatility of the data, while a lower coefficient of variation would produce tighter ranges.

Forecast Summary
Barrie CMA
Fall 2017

	2014	2015	2016	2017(F)		2018(F)		2019(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	550	695	686	600	700	650	750	700	800
Multiples	598	321	1,037	850	900	800	900	650	950
Starts - Total	1,148	1,016	1,723	1,450	1,600	1,450	1,650	1,350	1,750
Resale Market									
MLS® Sales	4,795	5,244	6,032	5,700	6,200	5,600	6,100	5,350	6,150
MLS® Average Price($)	341,023	373,203	438,828	516,400	543,600	499,200	528,800	507,500	544,500
Economic Overview									
Mortgage Rate(5 year)(%)	4.88	4.67	4.66	4.60	5.00	4.90	5.70	5.20	6.20

	2014	2015	2016	2017(F)	2018(F)	2019(F)
Rental Market						
October Vacancy Rate (%)	1.6	1.3	2.2	1.8	1.6	1.5
Two-bedroom Average Rent (October)($)	1,118	1,167	1,150	1,185	1,210	1,230
Economic Overview						
Population	200,488	202,546	205,003	207,500	209,900	212,500
Annual Employment Level	111,600	108,400	104,200	115,000	113,000	114,000

Multiple Listing Service® (MLS®) is a registered trademark of the Canadian Real Estate Association (CREA).
Rental Market: Privately initiated rental apartment structures of three units and over.
The forecasts (F) included in this document are based on information available as of 2nd October 2017. (L)=Low end of range. (H)=High end of range.
It is possible that the low end (L) and the high end (H) of forecast ranges for residential housing starts for singles and multiples jointly may not add up to the total. This is caused by rounding as well as the volatility of the data.
Source: CMHC (Starts and Completions Survey and Market Absorption Survey), Statistics Canada, CREA(MLS®), CMHC Forecast (2017-2019).

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly Starts and Completions Survey. Building permits are used to determine construction sites and visits confirm construction stages. A start is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:
The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:
The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:
Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:
Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:
Are estimated using CMHC's Market Absorption Survey, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "absorbed" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:
Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:
Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:
Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which. have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:
The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:
The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate.
Source: Statistics Canada's Labour Force Survey.

Net Migration:
Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

CMHC HELPS CANADIANS MEET THEIR HOUSING NEEDS.

Canada Mortgage and Housing Corporation (CMHC) has been helping Canadians meet their housing needs for more than 70 years. As Canada's authority on housing, we contribute to the stability of the housing market and financial system, provide support for Canadians in housing need, and offer unbiased housing research and advice to Canadian governments, consumers and the housing industry. Prudent risk management, strong corporate governance and transparency are cornerstones of our operations.

For more information, visit our website at www.cmhc.ca or follow us on Twitter, LinkedIn, Facebook and YouTube.

You can also reach us by phone at 1-800-668-2642 or by fax at 1-800-245-9274.
Outside Canada call 613-748-2003 or fax to 613-748-2016.

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1-800-668-2642.

The Market Analysis Centre's (MAC) electronic suite of national standardized products is available for free on CMHC's website. You can view, print, download or subscribe to future editions and get market information e-mailed automatically to you the same day it is released. It's quick and convenient! Go to www.cmhc.ca/en/hoficlincl/homain

For more information on MAC and the wealth of housing market information available to you, visit us today at www.cmhc.ca/housingmarketinformation

To subscribe to printed editions of MAC publications, call 1-800-668-2642.

©2017 Canada Mortgage and Housing Corporation. All rights reserved. CMHC grants reasonable rights of use of this publication's content solely for personal, corporate or public policy research, and educational purposes. This permission consists of the right to use the content for general reference purposes in written analyses and in the reporting of results, conclusions, and forecasts including the citation of limited amounts of supporting data extracted from this publication. Reasonable and limited rights of use are also permitted in commercial publications subject to the above criteria, and CMHC's right to request that such use be discontinued for any reason.

Any use of the publication's content must include the source of the information, including statistical data, acknowledged as follows:

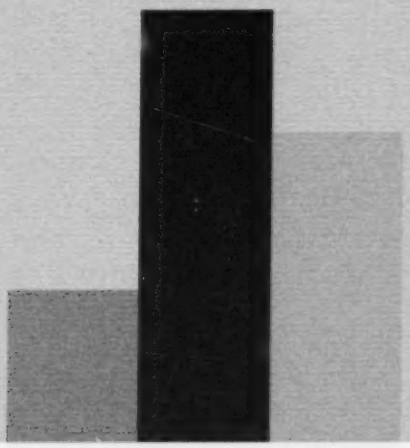
Source: CMHC (or "Adapted from CMHC," if appropriate), name of product, year and date of publication issue.

Other than as outlined above, the content of the publication cannot be reproduced or transmitted to any person or, if acquired by an organization, to users outside the organization. Placing the publication, in whole or part, on a website accessible to the public or on any website accessible to persons not directly employed by the organization is not permitted. To use the content of any CMHC Market Analysis publication for any purpose other than the general reference purposes set out above or to request permission to reproduce large portions of, or entire CMHC Market Analysis publications, please complete the CMHC Copyright request form and email it to CMHC's Canadian Housing Information Centre at chic@cmhc.ca. For permission, please provide CHIC with the following information: Publication's name, year and date of issue.

Without limiting the generality of the foregoing, no portion of the content may be translated from English or French into any other language without the prior written permission of Canada Mortgage and Housing Corporation.

The information, analyses and opinions contained in this publication are based on various sources believed to be reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibility.

Housing market intelligence you can count on



FREE REPORTS AVAILABLE ON-LINE

Local, regional and national analysis and data pertaining to current market conditions and future-oriented trends.

- Canadian Housing Statistics
- Condominium Owners Report
- Housing Information Monthly
- Housing Market Assessment
- Housing Market Insight
- Housing Now Tables
- Housing Market Outlook, Canada
- Housing Market Outlook, Highlight Reports – Regional and Northern
- Housing Market Outlook, Canada and Major Centres
- Housing Market Tables: Selected South Central Ontario Centres
- Preliminary Housing Starts Data
- Rental Market Reports, Canada and Provincial Highlights
- Rental Market Reports, Major Centres
- Residential Construction Digest, Prairie Centres
- Seniors' Housing Reports

FREE DATA TABLES AVAILABLE ON-LINE

- Housing Construction Activity by Municipality
- Comprehensive Rental Market Survey Tables
- Comprehensive New Home Construction Tables

CMHC's Market Analysis Centre provides a wealth of local, regional, and national data, information, and analysis through its suite of reports, data tables, and interactive tools.

- **Forecasts and Analysis –** Future-oriented information about local, regional and national housing trends.
- **Statistics and Data –** Information on current housing market activities – starts, rents, vacancy rates and much more.

HOUSING MARKET INFORMATION PORTAL!

The housing data you want, the way you want it.

- Information in one central location
- Quick and easy access
- Neighbourhood level data

cmhc.ca/hmiportal

Get the market intelligence you need today!

Click www.cmhc.ca/housingmarketinformation to view, download or subscribe.

Housing Observer Online

Featuring quick reads and videos on...

- Analysis and data
- Timely insights
- Updates to housing conditions and trends *& much more!*

All links can be shared in social media friendly formats!

Subscribe today to stay in the know!

www.cmhc.ca/observer

65712_2017_B02